

Harris Farinon Canada, a Dorval-based manufacturer of telecommunications equipment, established a joint venture in Shenzhen in May 1993 to manufacture microwave telecommunications towers. Harris Farinon had been selling in the China market for over 10 years but decided the company needed to establish itself locally to provide after-sales service.

"It took about one and a half years of negotiation and feasibility studies to conclude the deal," says Pierre Bernier, Managing Director of Shenzhen Harris Telecom Company Limited. Although Harris Farinon encountered few difficulties with its joint venture partner, Bernier cautions that a joint venture is not for everyone. "Before you start a joint venture, make sure this is what you want to do. It's not that easy."

Alcan Aluminum also found that its choice of joint venture partner was critical to its success. Linking up with the powerful state-owned China National Nonferrous Metals Industry Corporation helped the Canadian aluminum giant build and operate the first fully integrated aluminum manufacturing facility in China.

Hum notes that although it can be difficult sourcing raw materials and supplies locally, especially in a growing economy, Alcan overcame this hurdle with the assistance of its powerful joint venture partner which controls 70 per cent of the aluminum production in China and employs over one million people.

Many joint venture partners like Alcan's are state-owned companies that have a dual role - to make a profit, and to assist the government in achieving economic policy objectives. Succinctly put, business is government and government is business.

Although China has made significant free market reforms, its economy remains largely state controlled. "Always talk to the end user and Beijing when you're working with provincial authorities on local projects where central government financing and approval may be required," advises Argyris.



Neilson is quickly gaining market share with Canada's favourite chocolate bar

Canada's size is used to market Mr. Big in China

Although choosing a joint venture partner with professional expertise, integrity, and a good reputation is important, a partner with the right connections is critical.

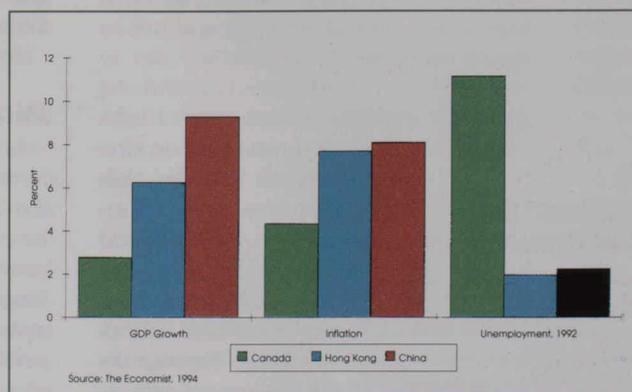
### Guanxi

*"To run a successful business in China you must have a lot of ears, a lot of eyes, a lot of noses, and a lot of mouths on your behalf."*

*"You have to have terrific people who listen for you, talk for you, see for you, and try to feed information to you."*

- Yue-sai Kan, Chinese-American Entrepreneur  
International Herald Tribune, August 17, 1993

### Economic Indicators Annual average % 1983-92



Guanxi, or connections, are of paramount importance when establishing and operating a successful business in China.

Contacts are crucial in finding the right joint venture partner, having contracts approved, and sourcing materials locally.

"You've got to spend time with government officials and nurture that relationship," says Argyris. "You have to find the right partner. Connections are the key."

Connections eased architectural firm Zeidler's entry into the south China market. "Our work is based on long and old relationships that were tapped. Competition with Hong Kong firms is fierce," says Mel Satok, Vice-President of Zeidler Roberts' Hong Kong office.

Argyris advises businesses to participate in trade missions to China and to take advantage of Chinese trade delegations to Canada to make connections with people in business and government in China.

### Corruption

Business people are reluctant to speak publicly about corruption in China. Most advise that they have had no problems with bribery or corruption personally, but they know those who have.

According to business consultant and former Alcan executive Roger Hum, the best advice is to say no immediately when asked for a bribe. "If you stand up initially when you're approached, it's just not in the cards and you won't be bothered by it," he says. "If it's there, they'll take advantage of you."

According to Metcorp's Albert Ng, companies focusing on the short-term in China are more exposed to corruption. However, he maintains that if you are looking at the long term, you don't have to do things as urgently and can avoid paying bribes.

If you do succumb to requests for bribes, you may get things done now, says Ng, but there is no guarantee that those people will be there to assist you down the road.